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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

CISCO SYSTEMS, INC.,

Plaintiff,

v.

CAPELLA PHOTONICS, INC.,

Defendant.

Case No. [20-cv-01858-EMC](#)

**ORDER DENYING DEFENDANT'S
MOTION TO CERTIFY ORDER FOR
INTERLOCUTORY APPEAL**

Docket No. 53

United States District Court
Northern District of California

Cisco Systems, Inc. (“Cisco”) sued Capella Photonics, Inc. (“Capella”) seeking a declaration of noninfringement of Cappela’s patents, and Capella counterclaimed for patent infringement. On August 21, 2020, the Court granted Cisco’s motion for judgment on the pleadings (the “Order”), concluding that Capella cannot seek damages for alleged infringement that took place prior to the reissue of the relevant patents. *See* Docket No. 48 (“Order”).

Pending before the Court is Capella’s motion to certify this Court’s Order granting Cisco’s motion for judgment on the pleadings for interlocutory appeal under 28 U.S.C. § 1292(b). *See* Docket No. 53 (“Cert. Mot.”). For the following reasons, Cisco’s motion to certify is **DENIED**.

I. BACKGROUND

As described in Cisco’s motion for judgment on the pleadings:

The Capella patents describe a purported invention in the field of optical communication. In particular, they describe a purportedly improved “optical add-drop multiplexer.” An “optical add-drop multiplexer” is a component in a fiber-optic network that 1) receives light signals transmitted over optical fibers over different wavelength “channels,” 2) removes (“drops”) and inserts (“adds”) light signals on selected channels while letting the signals on other channels “pass through,” and 3) transmits the add and pass-through channels to the next destination.

1 Docket No. 35 (“MJOP”) at 2–3 (citations omitted).

2 This is the second lawsuit between the parties. In 2014, Capella alleged infringement of
3 two of its patents by Cisco: Patent Nos. RE42,368 (the “’368 Patent”) and RE42,678 (the “’678
4 Patent”). *See Capella Photonics, Inc. v. Cisco Sys., Inc.*, Case No. 3:14-cv-03348-EMC (N.D.
5 Cal. Feb. 12, 2014). Cisco successfully instituted *inter partes* review during the prior case,
6 challenging claims of the ’368 Patent and the ’678 Patent. *See* Docket No. 1 (“Compl.”) ¶¶ 16, 31.

7 As to the ’368 Patent, the Patent Trial and Appeal Board (PTAB) issued a final written
8 decision cancelling claims 1-6, 9-13, and 15-22 as obvious over the prior art. *Id.* ¶ 16; *see also*
9 Docket No. 26-3 (“’368 IPR Order”). The cancellation was affirmed by the Federal Circuit, after
10 which Capella pursued reissue proceedings for the ’368 Patent, and Patent No. RE47,905 (the
11 “’905 Patent”) was issued on March 17, 2020. Docket No. 26 (“FAC”) ¶ 17–19. Cisco contends
12 that “[d]uring the course of reissue proceedings, Capella represented that claims of the ’905 Patent
13 have the same scope as claims of the ’368 Patent that Capella accused Cisco of infringing in the
14 Prior Litigation.” *Id.* ¶ 4.

15 As to the ’678 Patent, the PTAB also issued a final written decision cancelling claims 1-4,
16 9, 10, 13, 17, 19-23, 27, 29, 44-46, 53, and 61-65 as obvious over the prior art. *Id.* ¶ 6; *see also*
17 Docket No. 26-8 (“’678 IPR Order”). The cancellation was also affirmed by the Federal Circuit.
18 *Id.* ¶ 6. Subsequently, Capella pursued reissue proceedings for the ’678 Patent, and U.S. Patent
19 No. RE47,906 (the “’906 Patent”) was issued on March 17, 2020 (the same day that the ’905
20 Patent issued). *Id.* ¶ 33–34.

21 A. Procedural Background

22 Cisco sued Capella on March 16, 2020 seeking a declaration that Cisco’s products do not
23 infringe the ’905 and ’906 Patents. *See* Compl. Cisco amended its complaint on June 1, 2020.
24 *See* FAC. On June 15, 2020, Capella filed an answer and counterclaim alleging infringement
25 going back to at least 2014, six years prior to the reissuance of the ’905 and ’906 Patents. *See*
26 Docket No. 29 (“Countercl.”) ¶ 26.

27 On August 21, 2020, the Court granted Cisco’s motion for judgment on the pleadings,
28 holding that the PTAB’s invalidation of certain claims in the ’368 and ’678 Patents (the “Original

1 Patents”) precludes Capella from recovering pre-issuance damages for Cisco’s alleged
 2 infringement of “substantially identical” claims in the ’905 and ’906 Patents (the
 3 Reissued Patents”). *See* Order at 5. On October 12, 2020, Capella filed the pending motion to
 4 certify the Order granting Cisco’s motion for judgment on the pleadings for appeal to the Federal
 5 Circuit pursuant to 28 U.S.C. § 1292(b). Cert. Mot.

6 **II. MOTION TO CERTIFY**

7 A party seeking to file an interlocutory appeal must show that (1) the Court’s order
 8 “involves a controlling question of law;” (2) “there is substantial ground for difference of opinion”
 9 as to the that question; and (3) “an immediate appeal from the order may materially advance the
 10 ultimate termination of the litigation.” 28 U.S.C. § 1292(b); *see also Reese v. BP Exploration*
 11 *(Alaska) Inc.*, 643 F.3d 681, 687–88 (9th Cir. 2011).

12 Here, Capella seeks to certify to the Federal Circuit two questions of law that it contends
 13 are integral to the Court’s holding that the PTAB’s invalidation of certain claims in the Original
 14 Patents precludes Capella from recovering pre-issuance damages for the Reissued Patents. Order
 15 at 5. **First**, Capella seeks to appeal the Court’s conclusion that the PTAB’s invalidation of claims
 16 in *inter partes* review has collateral estoppel effect upon district court litigation with respect to the
 17 Reissued Patents. Order at 7-8. **Second**, Capella seeks to appeal the Court’s conclusion that
 18 “claims that are substantially identical to previously invalidated claims are also invalid.” Order at
 19 5, 9–11.

20 The Court finds that there is no substantial ground for difference of opinion as to either of
 21 these questions.¹

22 A. Substantial Grounds for Difference of Opinion.

23 “To determine if a ‘substantial ground for difference of opinion’ exists under § 1292(b),
 24 courts must examine to what extent the controlling law is unclear.” *Couch v. Telescope Inc.*, 611
 25 F.3d 629, 633 (9th Cir. 2010) (quoting 28 U.S.C. § 1292(b)). A substantial ground for difference
 26 of opinion may be found where there is a “novel legal issue[] . . . on which fair-minded jurists

27
 28 ¹ Because there is no substantial ground for difference of opinion as to either of these questions,
 the Court need not address the other two § 1292 factors.

1 might reach contradictory conclusions,” *Reese*, 643 F.3d at 688, where there is “an intra-district
 2 split” regarding the issue, *Asis Internet Servs. v. Active Response Grp.*, No. C07 6211 TEH, 2008
 3 WL 4279695, at *3 (N.D. Cal. Sept. 16, 2008); or “if novel and difficult questions of first
 4 impression are presented,” *Couch*, 611 F.3d at 633 (quoting 3 Federal Procedure, Lawyers Edition
 5 § 3:212 (2010)). However, “just because a court is the first to rule on a particular question or just
 6 because counsel contends that one precedent rather than another is controlling does not mean there
 7 is such a substantial difference of opinion as will support an interlocutory appeal.” *Id.* Here,
 8 Capella has failed to show that there is substantial ground for difference of opinion on either
 9 question.

10 B. First Question: Collateral Estoppel of PTAB Invalidity Decision

11 The Court concluded that the PTAB’s invalidation of claims in *inter partes* review
 12 precludes subsequent litigation over the validity of those claims in district court. Order at 11.
 13 Capella argues that there are substantial grounds to disagree with the Court’s conclusion that
 14 claims which are substantially identical to previously invalidated claims are also invalid because
 15 the PTAB only requires a preponderance of the evidence to invalidate a claim during *inter partes*
 16 review, whereas the district court requires clear and convincing evidence of invalidity. Cert. Mot.
 17 at 2–3. In other words, according to Capella, a fair-minded jurist could conclude that the PTAB’s
 18 decision in an *inter partes* proceeding does not have preclusive effect on subsequent district court
 19 proceedings because the PTAB employs a more liberal evidentiary standard to invalidate claims
 20 than the district court.

21 This Court already rejected this legal standard argument in its Order, relying on the Federal
 22 Circuit’s controlling decision in *XY v. Trans Ova Genetics*, which held that “an affirmation of an
 23 invalidity finding, whether from the district court *or the [PTAB]*, has a collateral estoppel effect
 24 on all pending or co-pending actions.” 890 F.3d 1282, 1294 (Fed. Cir. 2018) (emphasis added).
 25 The Court also noted the Federal Circuit’s previous decision in *Fresenius USA, Inc. v. Baxter Int’l,*
 26 *Inc.*, which rejected the notion “that because different standards apply in a PTO reexamination and
 27 a validity proceeding before the district court, the patent’s invalidation in a reexamination does not
 28 have collateral estoppel effect.” 721 F.3d 1330, 1344 (Fed. Cir. 2013). In fact, the panel in

1 *Fresenius* unequivocally held that “there is no basis for distinguishing between the effects of a
2 final, affirmed court decision determining invalidity and a final, affirmed PTO decision
3 determining invalidity on a pending litigation.” *Id.*

4 To be sure, *Fresenius* did not rely on the doctrine of collateral estoppel; it held that
5 following cancellation of the claims, the patent owner “no longer has viable cause of action” in
6 any further proceeding. *Id.* at 1344–45. But *XY* did rely expressly on collateral estoppel. *See XY*,
7 890 F.3d at 1294 (“[W]e find that an affirmance of an invalidity finding, whether from a district
8 court or the Board, has a collateral estoppel effect on all pending or co-pending actions.”
9 (emphasis added)). The argument raised by Capella was also advanced by Judge Newman in his
10 partial dissent from the majority’s opinion in *XY*:

11 [W]e need understand no more than the different standards of
12 validity in the PTAB and the district court, the different burdens of
13 proof, and the different standards of appellate review in this court, to
14 appreciate that inconsistent decisions can be reached in the PTAB
15 and the district court, all weighing heavily against estoppel. My
16 colleagues’ holding that in the event of conflict the administrative
17 agency’s decision “moots” the district court’s decision, raises critical
18 issues of constitutional balance.

19 890 F.3d at 1300 (emphasis added) (Newman, J., concurring in part and dissenting in part). The
20 majority flatly rejected that argument:

21 We do not find, as the Dissent states, that “in the event of conflict
22 the administrative agency’s decision ‘moots’ the district court’s
23 decision.” Dissent at 1301. Rather, we find that an affirmance of an
24 invalidity finding, whether from a district court or the Board, has a
25 collateral estoppel effect on all pending or co-pending actions.

26 *XY*, 900 F.3d at 1294 (emphasis added). Thus, contrary to Capella’s argument, this holding in *XY*
27 is not dictum, but an express holding. This Court is not free to disregard that holding.

28 Capella cites no division in Federal Circuit authority on the applicability of collateral
estoppel to PTO *inter partes* review, particularly where the invalidation was upheld by the Federal
Circuit on appeal. At best, Capella also argues that other district courts have declined to follow
Fresenius and *XY*. But all of the district court cases that Capella cites are materially
distinguishable. For example, in *Papst Licensing GmbH & Co., KG v. Samsung Electronics Co.*,
the Eastern District of Texas explicitly recognized that *XY* stands for the proposition that “[a] final

1 judgment from the PTAB on the invalidity of a patent claim has an issue-preclusive effect on any
2 pending actions involving that patent.” 403 F. Supp. 3d. 571, 601 (E.D. Tex. 2019) (citing *XY*,
3 890 F.3d at 1294). That court did not apply collateral estoppel, however, because the invalidity
4 issues before the district court were not identical and were not actually litigated in the prior PTAB
5 *inter partes* proceedings. *Id.* (“The parties do not present, and the Court has not found, any
6 binding precedent addressing whether a finding of invalidity under the preponderance of the
7 evidence standard in an IPR collaterally estops invalidity arguments *for separate, unadjudicated*
8 *claims* under the clear and convincing standard in a district court.” (emphasis added)).

9 In *Sanofi-Aventis U.S. LLC v. Mylan GmbH*, another case relied on by Capella, the District
10 of New Jersey denied Mylan summary judgment because the PTAB’s *inter partes* decision
11 invalidating the claims in Sanofi’s patents did not preclude Sanofi from relitigating the patents’
12 validity in district court. No. 17-9015 (SRC), 2019 WL 4861428, at *1 (D. N.J. Oct. 2, 2019).
13 This holding is not a refusal to apply or follow *XY*, however, because the PTAB’s invalidity
14 decisions in *Sanofi-Aventis* were “pending before the Federal Circuit” at the time the court denied
15 summary judgment, *id.*, and *XY* is very clear that only “*an affirmance of an invalidity finding*,
16 whether from the district court or the [PTAB], has a collateral estoppel effect.” 890 F.3d at 1294.
17 Here, the Federal Circuit did affirm the PTAB’s decisions invalidating the claims in the Original
18 Patents.

19 In fact, the few district courts that have faced similar facts agree with this Court’s
20 conclusion that, under *XY* and *Fresenius*, the PTAB’s invalidation of claims in *inter partes* review
21 precludes subsequent litigation over the validity of those claims in district court. *See e.g., Intell.*
22 *Ventures 1, LLC v. Lenovo Grp. Ltd.*, 370 F. Supp. 3d 251, 257 (D. Mass. 2019) (concluding that,
23 “under *XY* and *Fresenius*, PTAB decisions have a preclusive effect in district court”); *Fellowes,*
24 *Inc. v. Acco Brands Corp.*, No. 10 CV 7587, 2019 WL 1762910, at *6 (N.D. Ill. Apr. 22, 2019).
25 (“[I]n this case, the differing burdens do not defeat issue preclusion [because t]he Federal Circuit
26 recently held that its affirmance of the PTAB’s invalidity findings has an issue preclusive effect on
27 all pending actions in district courts.” (citing *XY*, 890 F.3d at 1294)).

28 Accordingly, Capella’s motion to certify this question for interlocutory appeal under 28

1 U.S.C. § 1292(b) is **DENIED**.

2 C. Second Question: Claims Substantially Identical to Previously Invalidated Claims Are
3 Also Invalid

4 The Court also concluded that the PTAB's decision to invalidate certain claims in the
5 Original Patents precludes Capella from asserting not only those claims, but all "substantially
6 identical claims" in the Reissued Patents. Order at 9. In reaching this conclusion, the Court
7 recognized that the Federal Circuit has not spoken directly on whether PTAB decisions have a
8 collateral-estoppel effect in district court on substantially identical unadjudicated claims. Order at
9 5; *see also Intellectual Ventures*, 370 F. Supp. 3d at 257 (holding that "PTAB decisions have a
10 collateral-estoppel effect in district court on unadjudicated claims that do not 'materially alter the
11 question of invalidity'" even though "the Federal Circuit has not ruled directly on this precise
12 question" (quoting *Ohio Willow Wood*, 735 F.3d at 1342)). While the precise issue has not been
13 addressed, "the mere presence of a disputed issue that is a question of first impression, standing
14 alone, is insufficient to demonstrate a substantial ground for difference of opinion." *Couch*, 611
15 F.3d at 634 (quoting *In re Flor*, 79 F.3d 281, 284 (2d Cir. 1996)). That is particularly true where,
16 as here, there is ample precedent to support the Court's conclusion.

17 In its order, the Court cited *Ohio Willow Wood*, which established that a district court's
18 summary judgment order invalidating certain patent claims precluded the patent owner from
19 asserting "substantially similar" claims in a subsequent separate action. 735 F.3d at 1342. In
20 doing so, the panel broadly held that collateral estoppel was not limited "to patent claims that are
21 identical" to previously invalidated claims. *Id.* *See also Sovereign Software LLC v. Victoria's*
22 *Secret Direct Brand Mgmt. LLC*, 778 F.3d 1311, 1319 (Fed. Cir. 2015) ("Complete identity of
23 claims is not required to satisfy the identity-of-issues requirement for claim preclusion.").
24 "Rather, it is the identity of the *issues* that were litigated that determines whether collateral
25 estoppel should apply." *Ohio Willow Wood*, 735 F.3d at 1342; *see also MaxLinear, Inc. v. CF*
26 *CRESPE LLC*, 880 F.3d 1373, 1377 (Fed. Cir. 2018) ("[T]he collateral-estoppel effect of an
27 administrative decision of unpatentability generally requires the invalidation of related claims that
28 present identical *issues* of patentability." (emphasis added)). In other words, "[i]f the differences

1 between the unadjudicated patent claims and adjudicated patent claims do not materially alter the
2 question of invalidity, collateral estoppel applies.” *Id.* Therefore, under *Ohio Willow Wood*, the
3 PTAB’s decision invalidating claims in the Original Patents (the adjudicated claims) would also
4 invalidate any claims that “do not materially alter the question of invalidity” in the Reissued
5 Patents (the unadjudicated claims). *Id.* Because Capella admitted, at least for purposes of Cisco’s
6 motion for judgment on the pleadings, that the claims in the Reissued Patents are “substantially
7 identical” to the claims in the Original Patents, the Court reached the obvious conclusion that the
8 PTAB’s decision invalidated both sets of claims.

9 Capella concedes that to recover pre-issuance damages under 35 U.S.C. § 252, the
10 invalidated claims and the reissued claims must be “substantially identical.” *See RFL Carriers,*
11 *Inc. v. Qualcomm, Inc.*, 801 F.3d 1346, 1349 (Fed. Cir. 2015). (“A patentee of a patent that
12 survives reexamination is *only* entitled to infringement damages for the time period between the
13 date of issuance of the original claims and the date of issuance of the reexamined claims *if the*
14 *original and the reexamined claims are ‘substantially identical’*” (emphases added) (quoting 35
15 U.S.C. § 252 (2012)). Capella now wants to walk back its concession and thread the very fine
16 needle by contending that “original and amended claims can, on the one hand, be ‘substantially
17 identical’ for purposes of § 252 but, on the other hand, *not* present identical issues of patentability,
18 as required by collateral estoppel.” Cert. Mot. at 13. This is because, according to Capella, the
19 PTAB employs a “broadest reasonable interpretation” standard to construe patent claims for
20 purposes of invalidity, *see, e.g., Cuzzo Speed Techs. LLC v. Lee*, No. 15–446, 2016 WL 3369425,
21 at *12 (U.S. June 20, 2016), whereas district courts apply the infringement standard articulated in
22 *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2015) (en banc) to determine if reissued claims
23 are substantially identical to original claims.

24 But as discussed above, the substantial interest in finality of PTO decisions and the
25 teachings of *XY* and *Ohio Willow Wood* foreclose Capella’s argument here. Capella cites no
26 Federal Circuit or even district court authority justifying its attempt to avoid the binding effect of a
27 final PTO ruling invalidating the substantially identical claims of a predecessor patent. Instead,
28 Capella cites only to the PTAB’s decision in *Google Inc. v. ContentGuard Holdings, Inc.*, PTAB

1 No. CBM2015-00040 (P.T.A.B. June 21, 2016) to support its argument. *See* Docket No. 53-1
 2 (“*ContentGuard* Decision”). In that case, the patentee and challenger were engaged in parallel
 3 proceedings before the PTAB and the Eastern District of Texas. *Id.* at 4, 26. Applying the
 4 broadest reasonable interpretation standard, The PTAB invalidated Claim 1 of the patent in its
 5 institution decision because the term “meta-right” included “usage rights,” which was anticipated
 6 by prior art. *Id.* at 24, 46. At the patentee’s request, the PTAB then amended Claim 1 using the
 7 Eastern District of Texas’s construction of the term “meta-right” in Claim 37, which included the
 8 term “usage rights.” *Id.* at 53, 69. The PTAB also concluded that the amended Claim 37 was
 9 substantially identical to the original Claim 1 for purposes of § 252. *Id.* at 70-72. Therefore,
 10 Capella contends, *ContentGuard* stands for the proposition that an amended claim can be
 11 substantially similar to an invalidated claim but remain valid.

12 *ContentGuard* is materially distinguishable because the patent owner in that case amended
 13 the invalidated claim *before* the PTAB issued a final written decision. Here, by contrast, Capella
 14 never tried to amend its claims using the process provided for by statute and outlined by the PTAB
 15 practice rules, instead appealing to the Federal Circuit—and then to the Supreme Court—*after* the
 16 PTAB issued its final written decision. *See* ’368 IPR Order; ’678 IPR Order; Docket No. 26-4
 17 (Fed. Cir. Op.); *Capella Photonics, Inc. v. Cisco Sys., Inc.*, 139 S. Ct. 462 (2018). This is
 18 significant because, under federal regulations, Capella is “precluded from taking action
 19 inconsistent with” the Board’s final decision, including “obtaining in any patent a claim that is not
 20 *patently distinct* from a *finally* refused or cancelled claim.” 37 C.F.R. 42.73(d)(3)(i) (emphases
 21 added). By contrast, the patent owner in *ContentGuard* was not precluded from attempting to
 22 amend the invalidated claim, even if the proposed amendment was different from the PTAB’s
 23 initial construction of that claim, because the PTAB had not issued its **final** written decision
 24 cancelling the original patent. In this case, Capella lost its appeal at every level, and now seeks a
 25 proverbial second bite of the apple.

26 Not only would Capella’s argument circumvent finality of the PTO rulings, allowing
 27 Capella to recover pre-issuance damages for infringement of substantially identical claims in the
 28 Reissued Patents, it would contravene the federal patent system’s “carefully crafted bargain for

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1 encouraging the creation *and disclosure* of new, useful, and nonobvious advances in technology
2 and design in return for the exclusive right to practice the invention for a period of years.” *Bonito*
3 *Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151–52 (1989) (emphasis added). Had
4 Capella disclosed the claims that eventually became the Reissued Patents when filing for Original
5 Patent, the PTAB may not have cancelled the Original Patents in the first place. Its failure to do
6 so, and instead deciding to await the final conclusion of the years-long litigation of the Original
7 Patents before fully disclosing the scope of its claim in seeking reissuance, should not be awarded
8 by permitting pre-issuance damages.

9 Capella, having failed to cite any authority substantiating its position allowing it a second
10 bite of the apple, fails to establish “substantial ground for difference of opinion” as to whether
11 claims herein which are “substantially identical” to claims that were previously invalidated by the
12 PTAB are also invalid.

13 Accordingly, Capella’s motion to certify this question for interlocutory appeal under 28
14 U.S.C. § 1292(b) is **DENIED**.

15 **III. CONCLUSION**

16 For the foregoing reasons, Capella’s motion to certify this Court’s order granting Cisco’s
17 motion for judgment on the pleadings for interlocutory appeal pursuant to 28 U.S.C. § 1292(b) is
18 **DENIED**.

19 This order disposes of Docket No. 53.

20
21 **IT IS SO ORDERED.**

22
23 Dated: December 8, 2020

24
25 

26 EDWARD M. CHEN
27 United States District Judge
28